

**CMP: INR 76.2**

**Rating: BUY**

**Target Price: INR 182**

**Stock Info**

BSE	543331
NSE	MOL
Sector	Agrochemicals
Face Value (INR)	1
Equity Capital (INR Bn)	254.3
Mkt Cap (INR Mn)	19,378
52w H/L (INR)	116 / 71.4
Avg Yearly Vol (in 000')	1,702.5

**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	49.33
Public & Others	50.67

Stock Performance (%)	1m	6m	12m
MOL	-2.1	-17.1	-3.8
Nifty	-0.2	-4	8.2

**MOL Vs Nifty**



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Meghmani Organics has reported strong set of numbers with substantial growth in revenues as well as margins; both the pigments as well as Agrochemicals segment are back on recovery path and are set for stronger growth in the coming quarters. Revenue came in at INR 5,685mn (+61.62% YoY/+4.53% QoQ) against our estimates of INR 5,820mn. EBITDA came in at INR 408mn vs INR (78)mn in Q3FY24 (+33.53% QoQ) against our estimate of INR 367mn. EBITDA margins came in at 7.18% vs 5.62% in Q2FY25 and -2.2% in Q3FY24 against our estimate of 6.31%. PBT came in at INR 74mn vs INR (92)mn in Q2FY25 and INR (479)mn in Q3FY24 against our estimate of INR 37mn. PAT came in at INR (43.9)mn vs INR (92.6)mn in Q2FY25 and INR (382.2)mn in Q3FY24 against our estimate of INR 29mn.

**Strong momentum in Agrochemicals segment:** The crop protection segment continues to see high volume growth with new products contributing meaningfully. Production volumes were up 12% with strong utilization levels maintained at 78%. New products from the MPP are seeing traction with registrations and approvals in different markets. The segment saw 72% growth in revenues with stable EBITDA margins of ~15%. Going forward, the company expects to maintain similar levels of margins in this segment. Field work for Nano urea has received positive traction from customers.

**Recovery in Pigments business:** The pigments business is gradually showing signs of recovery with 51% revenue growth and marginal improvement in margins. Production volumes were up 21% with utilization stable at 48%. TiO2 has begun to contribute to revenues from this quarter. Going forward, the company expects gradual recovery in the business as market improves but does not have any expansive plans for the segment. They expect the revenues to remain rangebound between INR 5.5-6.5bn in the coming years as well.

**Valuation & View:** Meghmani Organics has showcased sequential growth with strong recovery in Agrochemical as well as Pigments business. The company continues the growth momentum in volumes as the demand scenario is gradually easing out in the Latin America and US markets. Field work for Nano Urea has begun and the company has tied up with HIL for exhibition of the product in the domestic market. They continue to receive registrations and approvals from various markets, especially for their new age high value products in the crop protection segment. The growth momentum is expected to continue going forward as well. TiO2 is also slowly gaining traction but Chinese dumping is hampering the stabilisation of the product in the market. **We remain optimistic and have a positive view on the growth prospects of the company, thereby maintaining our "Buy" Rating with a Target price of INR 182, giving 50:50 weightage to DCF and EV/EBITDA.**

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	25,526	15,663	20,613	25,545	31,797
EBITDA	3,410	-203	1,495	2,413	3,131
EBITDA Margins	13.36%	-1.29%	7.25%	9.45%	9.85%
PAT	2,377	-1,060	301	1,243	1,838
EPS	9.35	-4.17	1.18	4.89	7.23
P/E	11.23	-25.19	88.62	21.48	14.53
EV/EBITDA	8.0	-135.8	18.5	11.3	8.6

Source: Arihant Research, Company Filings

## Q3FY25 Consolidated Performance

Particulars (INR Mns)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY
Revenue from operations	5,685	5,439	3,518	4.53%	61.62%
COGS	3,447	3,447	2,309	-0.01%	49.29%
Gross Profit	2,238	1,992	1,209	12.37%	85.19%
Gross Profit Margins	39.37%	36.62%	34.36%	275bps	501bps
<b>Expenses</b>					
Employee Benefits Expenses	282	286	278	-1.56%	1.52%
Other Expenses	1,548	1,400	1,009	10.60%	53.44%
<b>EBITDA</b>	<b>408</b>	<b>306</b>	<b>-78</b>	<b>33.53%</b>	
<b>EBITDA Margins</b>	<b>7.18%</b>	<b>5.62%</b>	<b>-2.22%</b>	<b>156bps</b>	<b>940bps</b>
Other Income	91	120	96	-23.69%	-5.10%
EBITDA (incl. OI)	500	425	18	17.43%	2627.13%
EBITDA Margins	8.79%	7.82%	0.52%	97bps	827bps
Depreciation	297	255	231	16.37%	28.24%
EBIT	203	171	-213	19.02%	
EBIT Margins	3.57%	3.14%	-6.06%	43bps	963bps
Finance Cost	129	262	266	-50.86%	-51.62%
<b>PBT</b>	<b>74</b>	<b>-92</b>	<b>-479</b>		
Exceptional Items	0	0	0		
Profit Before Tax	74	-92	-479		
Tax Expenses	118.0	1.0	-97.1	12067.01%	
<b>PAT</b>	<b>-43.90</b>	<b>-92.65</b>	<b>-382.22</b>		

## Segmental Performance

Particulars (INR Mns)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY
Pigment	1,599	1,356	1,054	-15.17%	51.73%
Agrochemicals	4,105	3,977	2,392	-3.13%	71.67%
Others	124	181	90	46.12%	100.82%
<b>Total</b>	<b>5,828</b>	<b>5,514</b>	<b>3,536</b>		
<b>Intersegment</b>	<b>143.27</b>	<b>75.47</b>	<b>18.03</b>		
<b>Total revenues</b>	<b>5,685</b>	<b>5,439</b>	<b>3,518</b>		

Source: Arihant Research, Company Filings

## Concall Highlights:

## Crop Protection:

- Production stood at 10,700 MT, up 12% YoY. Capacity utilisation remained steady at 78%. The substantial growth in revenues can be attributed to better product mix. New products from the MPP have started to contribute to the topline.
- Inventory levels are easing out at all levels since Q2FY25 and the demand is seeing recovery. Going forward, demand scenario is expected to maintain the same momentum.
- EBITDA levels are also coming back to 15% and they expect to maintain 14-16% margins in the coming quarters.
- On the pricing front, Chinese dumping the global market is still an issue but the management believes prices have bottomed out and expect recovery from hereon. Raw material prices have reduced drastically which has helped in reaching better margins.

- US and Latin America were the two regions which faced major inventory issues but these two regions have been the major contributor to the segment's growth as well.
- Crop protection continues to remain the key focus for the company. They have received approvals and registrations for their new products like Flubendamide, Cyfluthrin, Lambdacythalothein for various markets and are in line to receive more approvals in the coming two years.

**Pigments:**

- Segment production stood at 3,900 MT, up 21% with capacity utilisation at 48%.
- There is no new capex planned in the segment for the next two years.
- The segments revenue is expected to be rangebound between INR 5.5-6.5bn going forward.

**Titanium Dioxide:**

- The product contributed INR 130mn to the revenues in Q3FY25 but remained negative on EBITDA level. The company has achieved the product quality they desired but due to the excessive dumping from China in the Indian markets, the product is facing headwinds.
- Anti-dumping duty on the product is expected to come by March'25, post which the company is optimistic of rapid ramp up in production and uptake of the product in the market.
- At present, the utilisation rate is low at 35% and the company expects INR 2.5-3bn of peak revenues from the current capacity at decent utilisation levels.
- Current TiO<sub>2</sub> price in the domestic market is INR 175-180/kg.

**Nano Urea (Crop Nutrition):**

- The company signed a MoU with Hindustan Insecticides Ltd for conducting extensive field activities to demonstrate the efficacy of the product across various markets and states like Maharashtra, Rajasthan, Madhya Pradesh, West Bengal, Chattisgarh.
- The traction for the new products in the Crop nutrition segment have been quite positive. The adoption of the products is expected to happen gradually with traction from farmers.
- The management believes the entry of private players in the segment is encouraging and they expect competition to increase further as the product gets stabilised.

**Other highlights:**

- Crop protection business constituted 76% of total revenues while Pigments had 24% share.
- 20% growth expected in the Agrochemicals segment in FY26.
- At the current capacity and at peak utilisation, the company believes it can generate INR 25-30bn in the agrochem segment, INR 5.5-6.5bn in the Pigments segment and INR 2.5-3bn in TiO<sub>2</sub>.
- Long term debt on consol basis stands INR 4.74bn. Target to be debt free on standalone basis by FY27.
- The management acknowledges that they will consider demerger of the Pigments business as the business stabilises and the market environment improves.

## Financial Statements

### Income statement

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	25,526	15,663	20,613	25,545	31,797
<b>Net Sales</b>	<b>25,526</b>	<b>15,663</b>	<b>20,613</b>	<b>25,545</b>	<b>31,797</b>
YoY (%)	2.2%	-38.6%	31.6%	23.9%	24.5%
<b>Adjusted COGS</b>	<b>15,091</b>	<b>10,231</b>	<b>12,676</b>	<b>15,538</b>	<b>19,214</b>
Employee benefit expenses	1,295	1,159	1,113	1,445	1,798
<i>Other Expenses</i>	5,730	4,475	5,330	6,149	7,655
<b>Total Expenditure</b>	<b>22,116</b>	<b>15,866</b>	<b>19,119</b>	<b>23,132</b>	<b>28,666</b>
<b>EBITDA</b>	<b>3,410</b>	<b>-203</b>	<b>1,495</b>	<b>2,413</b>	<b>3,131</b>
<b>EBITDA Margin (%)</b>	<b>13.4%</b>	<b>-1.3%</b>	<b>7.3%</b>	<b>9.4%</b>	<b>9.8%</b>
Depreciation	771	922	958	952	1,044
<b>EBIT</b>	<b>2,640</b>	<b>-1,125</b>	<b>536</b>	<b>1,461</b>	<b>2,087</b>
EBIT Margin (%)	10.3%	-7.2%	2.6%	5.7%	6.6%
Interest Expenses	657	464	406	394	375
Non-operating/ Other income	960	377	386	478	595
<b>PBT</b>	<b>3,131</b>	<b>-1,212</b>	<b>517</b>	<b>1,545</b>	<b>2,307</b>
Tax-Total	754	-152	215	302	469
<b>Adj. Net Profit</b>	<b>2,377</b>	<b>-1,060</b>	<b>301</b>	<b>1,243</b>	<b>1,838</b>
<b>Reported Profit</b>	<b>2,377</b>	<b>-1,060</b>	<b>301</b>	<b>1,243</b>	<b>1,838</b>
PAT Margin	9.3%	-6.8%	1.5%	4.9%	5.8%
Shares o/s/ paid up equity sh capital	254	254	254	254	254
Adj EPS	9.3	-4.2	1.2	4.9	7.2

### Key Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
<b>Solvency Ratios</b>					
Debt / Equity	0.5	0.5	0.5	0.5	0.4
Net Debt / Equity	0.5	0.5	0.5	0.5	0.4
Debt / EBITDA	2.4	-41.2	5.4	3.3	2.4
Current Ratio	2.3	-40.2	5.6	3.3	2.4
<b>DuPont Analysis</b>					
Sales/Assets	0.8	0.5	0.6	0.8	0.9
Assets/Equity	1.9	2.0	2.1	2.0	2.0
RoE	14.2%	-6.9%	2.0%	7.5%	10.2%
<b>Per share ratios</b>					
Reported EPS	9.3	-4.2	1.2	4.9	7.2
Dividend per share	1.4	0.0	0.5	0.7	1.0
BV per share	65.6	60.1	60.8	64.9	71.2
Cash per Share	1.2	0.7	-0.7	-0.2	-0.5
Revenue per Share	100.4	61.6	81.1	100.4	125.0
<b>Profitability ratios</b>					
Net Profit Margin (PAT/Net sales)	12.2%	9.3%	-6.8%	1.5%	4.9%
Gross Profit / Net Sales	40.9%	34.7%	38.5%	39.2%	39.6%
EBITDA / Net Sales	13.4%	-1.3%	7.3%	9.4%	9.8%
EBIT / Net Sales	10.3%	-7.2%	2.6%	5.7%	6.6%
ROCE (%)	12.2%	-5.7%	2.7%	7.0%	9.3%
<b>Activity ratios</b>					
Inventory Days	156.1	208.5	182.5	182.5	146.0
Debtor Days	76.2	111.4	104.3	98.6	91.3
Creditor Days	83.8	118.3	109.6	100.0	92.4
<b>Leverage ratios</b>					
Interest coverage	4.0	-2.4	1.3	3.7	5.6
Debt / Asset	0.3	0.3	0.3	0.2	0.2
<b>Valuation ratios</b>					
EV / EBITDA	8.0	-135.8	18.5	11.3	8.6
PE (x)	8.2	-18.3	64.3	15.6	10.5

Source: Arihant Research, Company Filings

## Balance sheet

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>					
Equity Share Capital	254	254	254	254	254
Reserves & Surplus/ Other Equity	16,438	15,023	15,197	16,262	17,846
<b>Networth</b>	<b>16,692</b>	<b>15,277</b>	<b>15,451</b>	<b>16,516</b>	<b>18,100</b>
Unsecured Loans/ Borrowings/ Lease Liabilities	8,239	8,368	8,134	7,910	7,524
Other Liabilities	958	729	846	985	1,188
<b>Total Liabilities</b>	<b>31,984</b>	<b>30,401</b>	<b>31,809</b>	<b>33,468</b>	<b>36,140</b>
<b>Total Funds Employed</b>	<b>58,977</b>	<b>56,241</b>	<b>59,129</b>	<b>62,489</b>	<b>67,975</b>
<b>Application of Funds</b>					
<b>Net Fixed Assets</b>	<b>11,760</b>	<b>11,643</b>	<b>11,017</b>	<b>10,869</b>	<b>11,870</b>
Capital WIP	3,456	5,086	5,086	5,086	5,086
<b>Current assets</b>	<b>14,657</b>	<b>12,131</b>	<b>14,551</b>	<b>16,586</b>	<b>18,357</b>
Inventory	6,517	5,172	6,338	7,053	7,727
<b>Days</b>	<b>156</b>	<b>209</b>	<b>183</b>	<b>183</b>	<b>146</b>
Debtors	5,234	4,329	5,890	6,904	7,949
<b>Days</b>	<b>76</b>	<b>111</b>	<b>104</b>	<b>99</b>	<b>91</b>
Other Current Assets	1,382	1,385	1,412	1,441	1,469
Cash and Cash equivalent	311	169	-190	-41	-117
<b>Current Liabilities/Provisions</b>	<b>10,300</b>	<b>10,563</b>	<b>11,869</b>	<b>12,505</b>	<b>13,735</b>
Creditors / Trade Payables	4,478	4,935	6,092	6,534	7,428
<b>Days</b>	<b>84</b>	<b>118</b>	<b>110</b>	<b>100</b>	<b>92</b>
Liabilities	1,616	1,090	1,284	1,520	1,898
<b>Net Current Assets</b>	<b>4,356</b>	<b>1,569</b>	<b>2,682</b>	<b>4,081</b>	<b>4,622</b>
<b>Total Asset</b>	<b>31,984</b>	<b>30,401</b>	<b>31,809</b>	<b>33,468</b>	<b>36,140</b>
<b>Total Capital Employed</b>	<b>27,628</b>	<b>28,833</b>	<b>29,127</b>	<b>29,386</b>	<b>31,518</b>

## Cash Flow Statement

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Profit before tax</b>	<b>2,377</b>	<b>-1,060</b>	<b>301</b>	<b>1,243</b>	<b>1,838</b>
<b>Adjustments: Add</b>					
Depreciation and amortisation	771	922	958	952	1,044
Interest adjustment	-303	87	20	-84	-220
<b>Change in assets and liabilities</b>	<b>2,488</b>	<b>-51</b>	<b>1,152</b>	<b>1,933</b>	<b>2,408</b>
Inventories	-123	1,345	-1,166	-715	-674
Trade receivables	194	906	-1,561	-1,015	-1,045
Trade payables	-1,259	458	1,156	442	894
Other Liabilities and provisions	1,171	-392	224	282	442
Other Assets	145	11	-72	-74	-77
Taxes	-3	12	17	19	41
<b>Net cash from operating activities</b>	<b>2,587</b>	<b>2,269</b>	<b>-254</b>	<b>867</b>	<b>1,984</b>
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-4,982	-2,430	-332	-804	-2,045
Net Sale/(Purchase) of investments	1,243	1,065	728	663	637
<b>Net cash (used) in investing activities</b>	<b>-3,796</b>	<b>-1,331</b>	<b>394</b>	<b>-143</b>	<b>-1,411</b>
Interest expense	1,413	-707	-571	-544	-665
Dividend paid	-356	0	-127	-178	-254
Other financing activities	-347	-355	-68	-178	-254
<b>Net cash (used) in financing activities</b>	<b>1,422</b>	<b>-1,062</b>	<b>-571</b>	<b>-544</b>	<b>-665</b>
<b>Closing Balance</b>	<b>326</b>	<b>203</b>	<b>-228</b>	<b>-49</b>	<b>-141</b>
<b>FCF</b>	<b>-750</b>	<b>1,485</b>	<b>-586</b>	<b>62</b>	<b>-62</b>
Capex ( % of sales )	3,320	784	300	766	2,000

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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